

Overview of Maryland's Small Group Market

MHCC Presentation to the
SHOP Advisory Committee
September 12, 2011

Small Group Market Reforms

- Since the Health Insurance Reform Act of 1993, reforms apply to employer groups of 2 to 50 eligible (full-time) employees
- Owner decides whether or not to offer group coverage to the employees and who pays for it
- Insurance carriers must sell the “Comprehensive Standard Health Benefit Plan (CSHBP)”
- Jointly Administered by MHCC and Maryland Insurance Administration (MIA)

Roles of MHCC and MIA

■ MHCC

- Development of CSHBP and annual review of benefits
- Monitoring premium in relation to affordability cap

■ MIA

- Review carrier contracts in small group to assure compliance
- Collect data on loss ratio (claims incurred /premiums earned)

■ Both Agencies

- Respond to questions regarding coverage from employers, employees, brokers, public, etc.
- Jointly promulgate changes in regulation and review legislation

SGM Reforms (continued)

- Guaranteed issue
- Guaranteed renewal
- Modified community rating adjusted for age and geography (currently set at +/-50 %)
- Since 10/1/2009, allows pre-existing condition exclusion for up to 12 months based on a 6 month look back period for new enrollees
- Since 7/1/2010, allows carriers to adjust rates for health status for new groups entering the SGM:
 - +/-10% adjustment in 1st year
 - +/-5% in 2nd year
 - +/-2% in 3rd year

Comprehensive Standard Health Benefit Plan: Basic Provisions

- Comprehensive set of benefits that carriers must offer
- Applies to apples comparison of policies to facilitate price comparison among carriers
- Benefits Specified in Regulation (COMAR 31.11.06)
- Benefits may be **improved** BUT NOT reduced (positive riders)
- Carriers may impose minimum participation requirements - no greater than 75%
- Exempt from state mandated benefits
- CSHBP has an income affordability cap: *average premium without riders cannot exceed 10% percent of Maryland's average annual wage (2010 estimate = \$51,742)*
- Benefits reviewed annually by MHCC
- If average cost exceeds this cap, MHCC must make changes to CSHBP
 - limit/exclude covered services
 - increase cost-sharing (deductibles, copayments, or coinsurance)

Current Statistics (y/e 2010) and Recent Trends in Maryland's Small Group Market

Enrollment:

- Almost 45,000 small businesses have insurance coverage under the CSHBP
 - Equates to about a 35% participation rate
 - 3rd consecutive year of a decline in employer participation (economic downturn)
- About 365,000 individuals covered (including employees and their dependents)
 - Enrollment declined about 16,000 covered lives between 2009 - 2010
 - Most are covered under traditional HMO policies but shift in coverage to high deductible HSAs continues

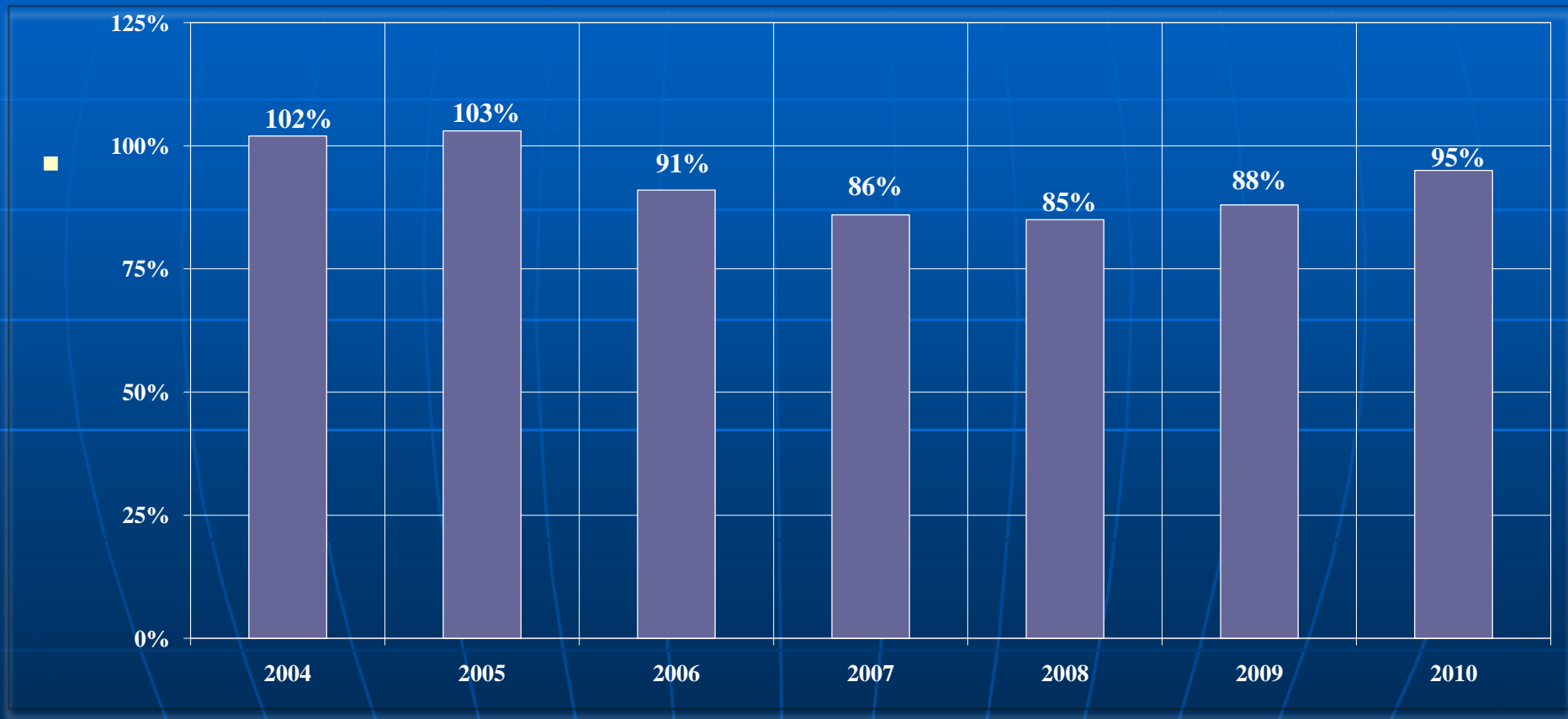
Costs of coverage:

- The cost of health insurance continues to outpace the rise in wages and GDP
 - Average wages in Maryland increased only 2.3% in 2010 while insurance premiums continued at double-digit increases

Carrier participation:

- The number of carriers in the SGM has declined dramatically due to mergers, acquisitions, and departures
 - Participating carriers have declined from 37 in 1995 to 8 today
 - One major insurance carrier in Maryland continually dominate this market

Cost of the CSHBP (without riders) in Relation to Cap 2004 – 2010



Average Annual Premium by Delivery System (with riders - as of 12/31/10)

- HMO: Employee only: \$ 5,675
Family policy: \$14,805
- PPO: Employee only: \$ 6,239
Family policy: \$16,931
- HMO/HSA: Employee only: \$ 4,024
Family policy: \$10,969
- PPO/HSA: Employee only: \$ 3,874
Family policy: \$11,439
- Due to economy, more employers are increasing employee's share of the premium, and continue to increase employee cost-sharing
- Employers also changing employee incentives through HSAs, wellness, etc.

Average Annual Premium with Riders by Delivery System, 2007 - 2010

	2007		2008		2009		2010	
	Indiv.	Family	Indiv.	Family	Indiv.	Family	Indiv.	Family
HMO	\$4560	\$12204	\$4993	\$13235	\$5500	\$14511	\$5675	\$14805
HMO/HSA	\$1490	\$3924	\$2366	\$6381	\$3078	\$8094	\$4024	\$10969
PPO	\$6348	\$17271	\$6743	\$18492	\$7574	\$20047	\$6239	\$16931
PPO/HSA	\$2422	\$6529	\$3304	\$8789	\$4020	\$11074	\$3874	\$11439
HDHMO	\$ 747	\$1898	\$1086	\$2587	\$2021	\$5019	\$4210	\$10848

Health Insurance Partnership

- The Health Insurance Partnership is a health insurance premium subsidy program for small employers with 2 to 9 full time employees who have not offered their employees a group health plan in the past year and who meet certain wage and salary requirements
- The Partnership is designed to:
 - provide an incentive for small employers not currently offering health insurance to offer and maintain insurance coverage for their employees
 - help employees of small employers afford health insurance premium contributions
- Annual funding remains at \$2 million
- Enrollment began on October 1, 2008
 - Current enrollment: 350 businesses; 1700 employees and their dependents
- MHCC administers the Partnership; employers purchase the group insurance policy through insurance brokers
- Participating carriers: Aetna, CareFirst, Coventry and United HealthCare

Determining Eligibility under the Partnership

■ **Eligible Employer:**

- Must have been in operation for at least 12 months
- Must not be offering group insurance to its employees for at least 12 months
- Must employ at least 2 and not more than 9 eligible employees both at the time of initial application and on at least 50% of its working days during the previous calendar quarter
- Average wage of eligible employees must be less than \$50,000
 - Average wage of \$30,000 or less equates to a subsidy of up to 50% of premium
 - Subsidy decreases as average wage of the business increases to \$50,000

■ **Eligible Employee:**

- Individual who works on a full-time basis (at least 30 hrs/wk.) – including full-time independent contractors (“1099 employees”)
- An owner, partner, or spouse of an owner or partner working full time at the business counts as an eligible employee and counts toward calculation of average wage/subsidy
- Part-time, temporary, seasonal, substitute employees are not eligible for a subsidy

Special Provisions under the Partnership

- Participating carriers must include in their plan offerings a rider for a wellness benefit that includes:
 - Health risk assessment (HRA), at no cost to the employee
 - Written feedback on the HRA to the employee
 - Financial incentive to promote preventive care, healthy behavior, or disease management
- Business must establish a Section 125 payroll deduction plan within 60 days of enrollment
- An employer's contribution to an HSA counts toward premium, thus counts toward calculation of the subsidy

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